



# News Release

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## **New Study Confirms Disparity in Federal Subcontracting for Women-Owned Businesses** *Firms' Capability Disproved as an Argument for Under-Representation*

**Washington, DC** – A new study released today by the National Women's Business Council examines and disproves the argument that lesser capability is a valid reason why women-owned firms continue to be under-represented in the Federal subcontracting arena.

The NWBC study, *Women-Owned Small Businesses in Federal Subcontracting: Measures and Data*, notes that although women-owned businesses currently represent 38% of all U.S. businesses and continue to grow rapidly, the share of Federal contracting dollars awarded to women's business enterprises has not kept pace. In fiscal year 1999, the share of *prime* Federal contract dollars awarded to women-owned small firms stood at 2.2%, up from just 1.3% in FY 1992. The share of measurable *subcontracting* dollars stood at 4.6% as of FY 1999, compared to 0.7% in FY 1992.

Some have suggested that women-owned firms receive a small share of Federal subcontracts because they are not as prepared to deliver the necessary services; that is, because their ability - or "capacity" as it's described in the report - is not on par with the average business. In response to this argument, the study provides an analysis of the relative capacity of women-owned small firms compared to all small firms, which indicates that between 14% and 24% of the overall business capacity in the U.S. is contributed by women-owned firms. If parity with all small firms is 1, the current disparity ratio of women-owned small firms in the subcontracting arena is 0.6. Therefore, lesser ability is not a substantiated rationale for the under-representation of women-owned businesses in Federal subcontracting.

“This study has not only provided important validation of the ability of women-owned businesses to perform in the Federal procurement arena, but has also led the Council to recommend that aggressive efforts be taken to increase access for women-owned firms in Federal subcontracting,” said Marilyn Carlson Nelson, Chairman and CEO of

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Carlson Companies and Chair of the National Women's Business Council. "In particular, we hope the Administration will fully implement its October 2002 strategy on contract unbundling (including in subcontracting), support measurable contracting goals, and penalize firms that use women subcontractors to win a bid, but do not follow through by giving them the business."

Nelson also noted that there are some very positive public and private initiatives underway to help increase Federal contracting opportunities for women-owned businesses, including the Small Business Administration's and U.S. Chamber of Commerce's "Business Matchmaking Program" as well as Women Impacting Public Policy's and Office Depot's "The BusinessNetwork.com" Web site. Both are designed to match up women businesses with Federal and private buyers. "We are particularly appreciative," said Nelson, "of the successes of the Departments of Commerce, Health and Human Services, Housing and Urban Development, Interior, Labor, Treasury, and the General Services Administration in meeting and even exceeding the 5% goal in Federal contracting to women-owned businesses."

The study also found that the share of subcontracting to women-owned firms declines as the total value of subcontracts increase. When prime Federal contractors subcontract less than \$1 million, women-owned small firms receive 8.6% of those dollars. This amount declines to 3.7% when prime Federal contractors subcontract more than \$1 million.

While the study's authors suggest a strategy for gathering more information and conducting further research, the Council has used these initial findings to offer several policy recommendations:

- Put in place an Administration-supported program designed to drive increases in Federal contracting to women-owned businesses and hold agencies accountable;
- Full implementation of the Administration's October 2002 strategy on contract unbundling, to ensure that procurement opportunities remain open to all small businesses, including women-owned businesses; and
- Implement a system of incentives and penalties for prime contractors to encourage compliance with subcontracting plans and goals.

The complete report, *Women-Owned Small Businesses in Federal Subcontracting: Measures and Data*, as well as a research brief highlighting key findings, is available online at the NWBC Web site, [www.nwbc.gov](http://www.nwbc.gov). The study was conducted for the Council by MacroSys Research and Technology, a minority-owned business headquartered in Washington, DC.

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The National Women's Business Council is committed to conducting research on issues of importance to women business owners and their organizations; to communicating these findings widely; to connecting the women's business community to public policy makers; and to providing programs and platforms for change in order to expand and improve opportunities for women business owners and their enterprises.

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The National Women's Business Council is a bi-partisan Federal government council created to serve as an independent source of advice and counsel to the President, Congress, and the U.S. Small Business Administration on economic issues of importance to women business owners. Members of the Council are prominent women business owners and leaders of women's business organizations. For more information about the Council, its mission and activities, contact: National Women's Business Council, 409 3<sup>rd</sup> Street, SW, Suite 210, Washington, DC 20024; phone: 202-205-3850; fax: 202-205-6825, e-mail: [nwbc@sba.gov](mailto:nwbc@sba.gov).

### **Methodology**

In order to determine the disparity ratio of women-owned enterprises in Federal subcontracting, an analysis of the share of women-owned firm performance in Federal subcontracting was performed, utilizing data provided by the Federal Procurement Data Center. Then, in order to determine any existing disparity, a ratio of performance to capacity was calculated. In the absence of the ability to collect data from the subcontracting firms themselves (the ideal scenario), a proxy was used, drawing from the most extensive small business survey database available: the Federal Reserve Board's National Survey of Small Business Finance. Capacity was measured by looking at firm employment and revenue size, cash on hand, size of sales market (nationwide sales), and self-identification of key business problems (financing, cash flow, labor, technology).